



Transportation Funding 101

An Overview of Revenues and Expenditures
affecting the King County region

Handout of the presentation

Please Note: Not all slides in this handout will be shown during the presentation.

Transportation Funding 101



An Overview of Revenues and Expenditures
affecting the King County region



How Do We Pay For Transportation within King County?



Funding Sources

Federal



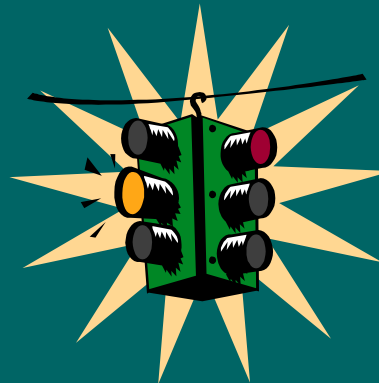
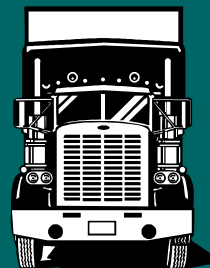
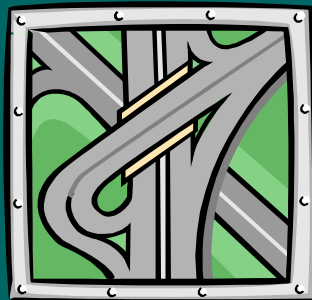
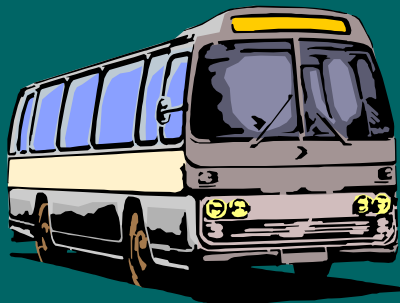
State



**Local:
City & County**



**Transportation
in King County**





Primary Sources of Transportation Revenue

Federal – Federal gas tax (18.4 cents/gallon)

WSDOT (State) – State gas tax and other fees

City and County governments – General taxes, including sales, property and B&O

Transit – Sales tax



Tax Terms

User-Based Taxes & Fees -

Direct – Tax or fee charged directly to the user at the point of purchase

Indirect – Tax or fee incorporated by initial taxpayer into the wholesale cost which is passed on to the end user

General Tax – A tax that does not necessarily relate to the service or item that the tax is funding

Dedicated Tax- A tax that is specified for a certain use

How Resources Get to the Local Level

Federal -

- 1) Federal Highway and Transit Act (i.e. TEA 21)
- 2) Congressional Earmarks

State –

- 1) City and County Direct Distribution of gas tax funds
- 2) Direct state spending on locally-situated state highways and facilities

Local –

- 1) Locally generated taxes – property, sales, B&O, utility



ISTEA & TEA 21

TEA-21 and ISTEA are the acronyms for the previous and current federal surface transportation acts, first introduced in 1991.

Together these two acts have presented a significant departure from previous transportation programs by providing increased spending “flexibility” to state and local governments in using federal funds to meet each state’s transportation needs.

TEA 21

TEA 21 brought \$4 billion into the state for the Federal Highway and Transit Programs during 1998-2003, split between local and state programs.

Highways: \$467 M/yr
Transit: \$194 M/yr*

**based on years 2001-2002*

Washington State TEA-21 Federal Highway Programs FFY 1998-2003 \$2,763 million

WSDOT Programs	National Highway System	\$538
	Bridge	\$369
	Interstate Maintenance	\$495
	Statewide Planning & Research	\$55
	Metropolitan Planning	\$22
	Subtotal	\$1,479
Local Programs	Congestion Mitigation/Air Quality (CMAQ)	\$140
	Surface Transportation Program (STP)	
	Distributions by Population	\$355
	> 200,000 population	\$196
	< 200,000 population	\$92
	< 5,000 population	\$67
	State Flexible	\$369
	Statewide Competitive	\$89
	Rural Economic Vitality	\$69
	Population Distribution	\$69
	WSDOT	\$142
	Safety Enhancements	\$71
	National Highway System Bridge	\$19
	Subtotal	\$1,264
Total		\$2,763

Totals reflect 5 year actuals with 2003 estimated amounts and may not add due to rounding. CMAQ and STP totals exclude 2% Statewide Planning & Research set aside. STP amount includes the minimum guarantee funds.



TEA 21 Reauthorization

On February 12, 2004, the Senate passed a **TEA 21 reauthorization bill for \$318 billion**. The House has not yet passed a bill. The Administration proposal is notably smaller, at about \$ 256 billion.

Senate Plan Guaranteed Funding:

Highways - \$ 240 billion (up from \$167 m in TEA 21)

Transit - \$ 56.5 billion (up from \$36 m in TEA 21)

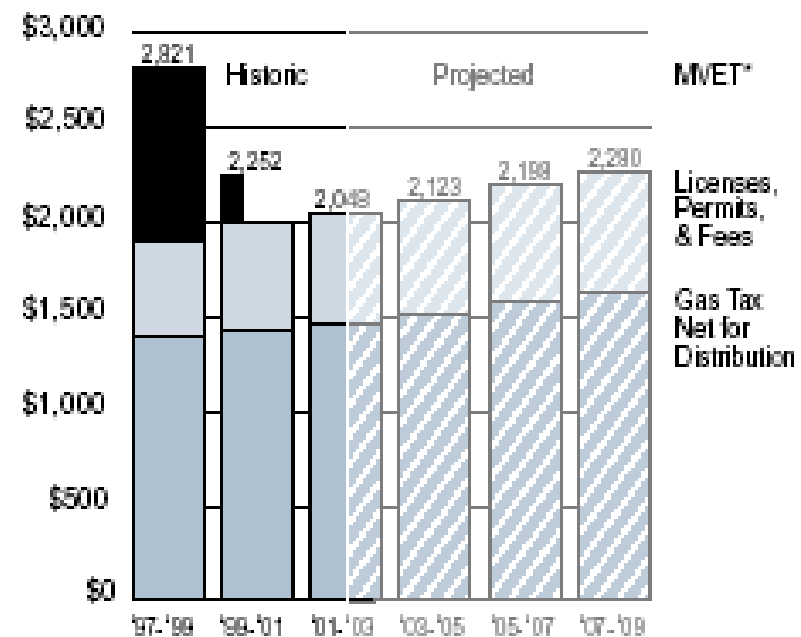
State Revenue

State transportation funds come mostly from

1. Gas Tax
2. Licenses, Permits, and Fees.

These funds are dedicated to highway purposes as mandated by the 18th Amendment to the Washington State Constitution.

Major Sources of Transportation Tax Revenue



-The MVET was eliminated in January 2000 by I-695

-Does not reflect Nickel Gas Tax or I-776

dollars in millions

Gas Tax Distribution

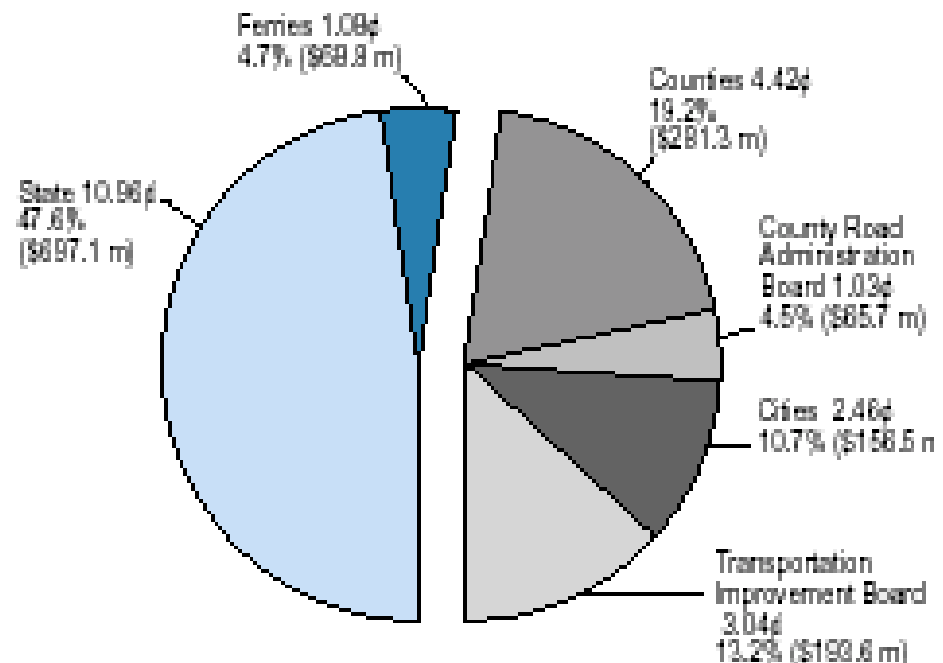
Gas Tax revenue is distributed to counties, cities and state accounts.

*The Nickel Tax is not reflected – it is dedicated to a defined list of projects.

Gas Tax for 2001-2003 Biennium

Tax Rate = 23 cents per gallon*

Total Revenue - \$ 1,463.1 million



Dollars in millions.

Total may not add due to rounding.

* Revenue based on month of collection, after refunds and cost of collection, February 2002 Transportation Revenue Forecast.

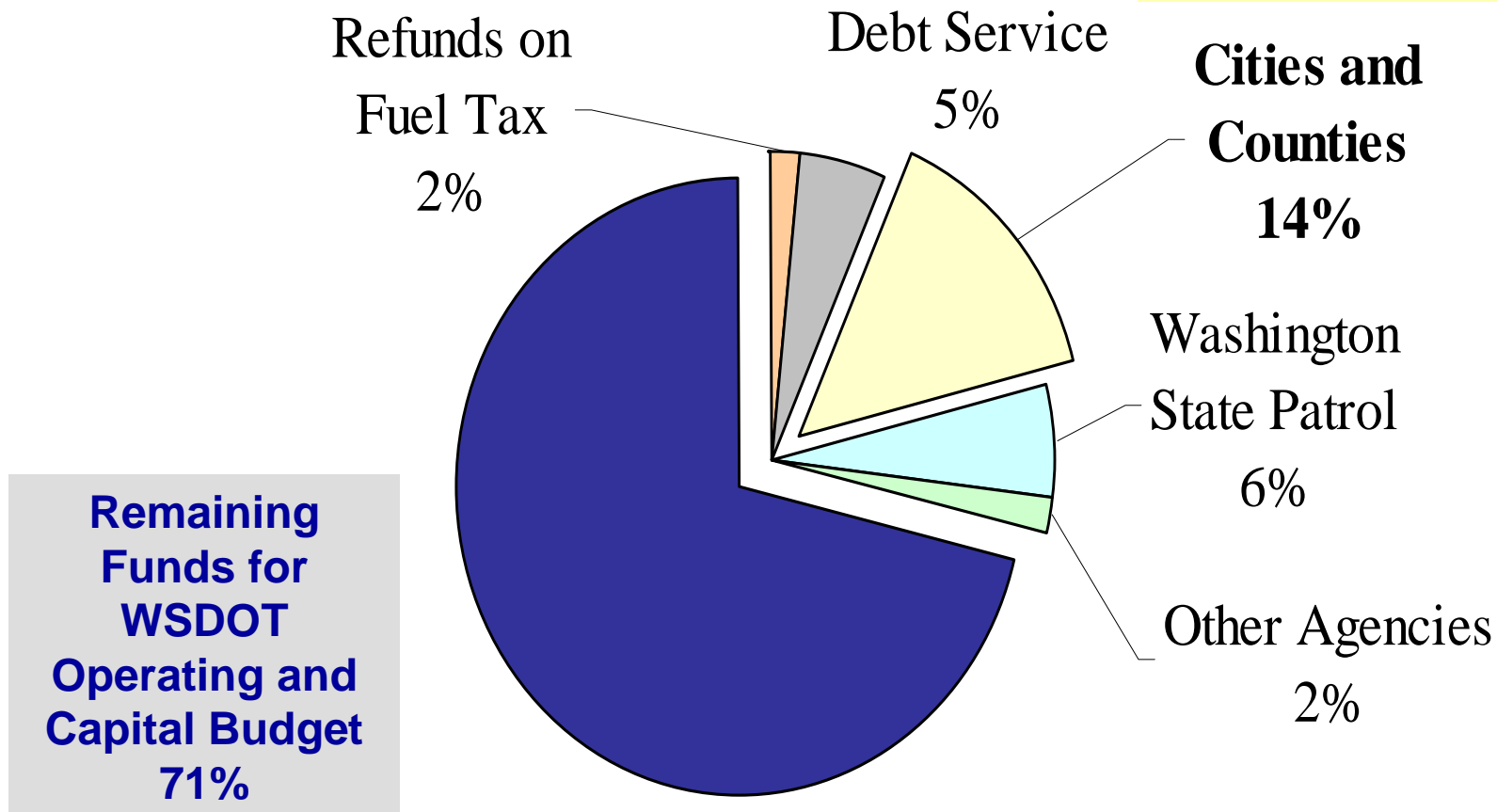
WSDOT Transportation Funding

2001-2003 Biennium

(pre-Nickel Tax)

\$ 4,808 million

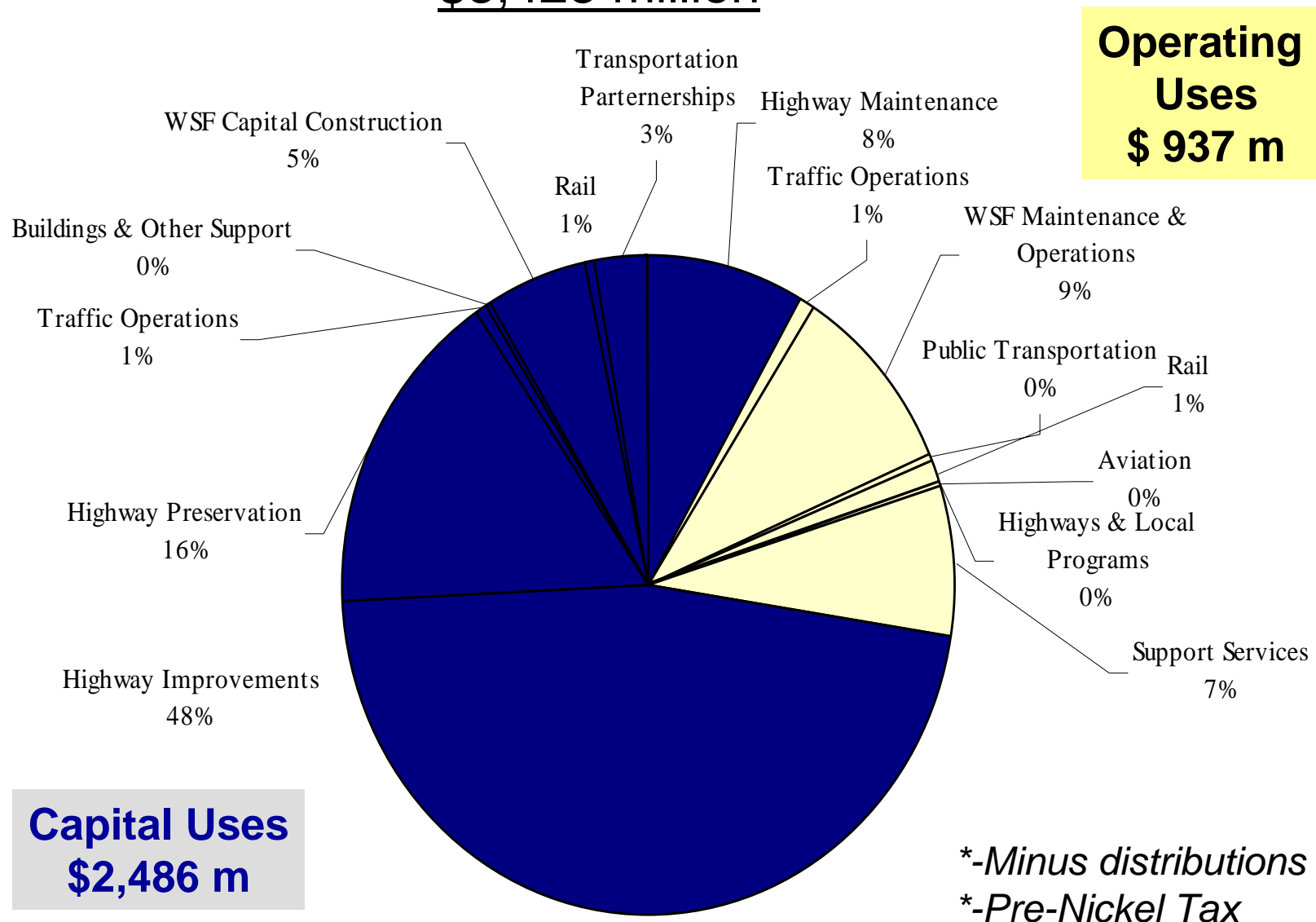
29% of WSDOT's budget is subject to statutory distributions and appropriations.



Use of WSDOT Funds*

2001- 2003 Biennium

\$3,423 million



State Gas Tax

In July 2003, the state gas tax rate was increased to 28 cents, which is projected to generate \$ 930 million annually.

At the previous rate of 23 cents per gallon, it generated roughly \$700 million* statewide per year.



**Revenue figures from 2002*



New Gas Tax Distribution

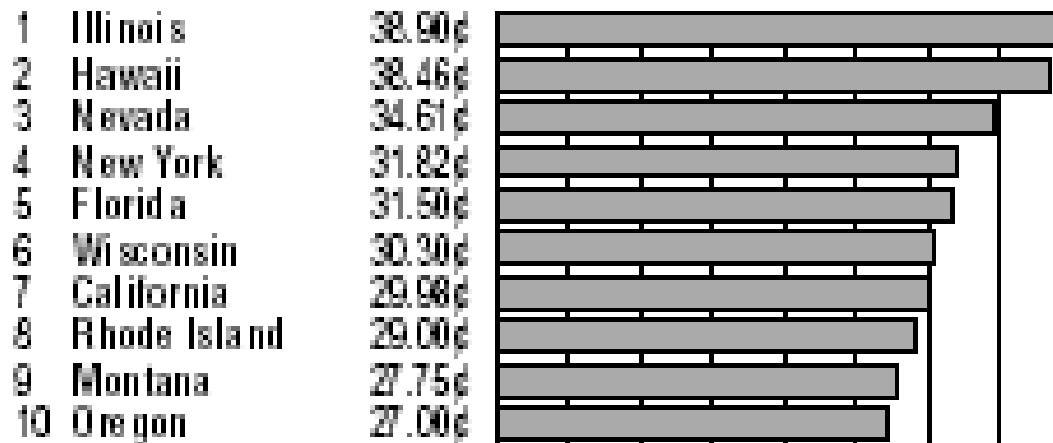
New Revenue - The additional revenue from the new gas tax package – projected to be roughly \$ 4.2 billion over 10 years –is dedicated to a specific list of projects. It is not included in the direct distribution to cities and counties.

\$1.3 billion of the new revenue is for projects within King County over the next 10 years, \$ 1 billion of which is for mobility projects.

Nationwide Gas Tax Rates

At 28 cents with the recent increase, Washington State gas tax moved to the 9th highest in the nation (up from 23rd)

Nationwide
Gas Tax Comparison*



State Gas Tax History

The 'Nickel Fund' 5 cent gas tax increase implemented in July 2003 was the first state gas tax increase since 1990.



Washington Gas Tax History

Year Enacted	Tax Rate
1921	1.0¢
1924	2.0¢
1929	3.0¢
1931	4.0¢
1933	5.0¢
1949	6.5¢
1961	7.5¢
1967	9.0¢
1977	11.0¢ <i>With a 12¢ lid</i>
1979	12.0¢
1981	13.5¢ <i>Fell to 12¢ floor</i>
1983	16.0¢
1984	18.0¢
1990	22.0¢
1991	23.0¢

2003

28 cents

A close-up, black and white photograph of several coins, likely US quarters, overlapping each other. The coins are slightly out of focus, creating a textured, metallic background.

Local Revenue

City and County governments raise money for transportation primarily through general taxes – property, sales, B&O and utility

Most local governments do not dedicate funds to transportation, relying instead on the general fund.

County Roadway Revenues

Counties in the region, including King County, rely on dedicated road levies, which are funded by property tax.

- For example, 65% of unincorporated King County road revenue projected for 2004 is generated by property tax

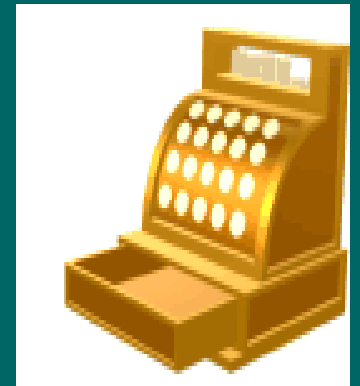


Sales Tax

Sales tax comprises a significant portion of funding for county and city governments and transit organizations.



Sales tax funds transportation via local general funds and through dedicated transit taxes.



Sales Tax Revenue

- \$400 million in transit-dedicated taxes was generated in King County in 2002 -- \$300 million for Metro, \$100 million for Sound Transit
- Sales Tax generated by all local governments for all purposes in King County in 2002 totaled \$932 million



Sales Tax Rate

Sales Tax Rates

Washington State – 6.5 %

Local Governments – 1%

King County Local Surcharge - 2.3 %,
with higher taxes on car rentals
and restaurants



Local Sales Taxes

Dedicated Local Sales Taxes include:

Transit*: **0.8 %**

Sound Transit*: **0.4 %**

Criminal Justice: 0.1 %

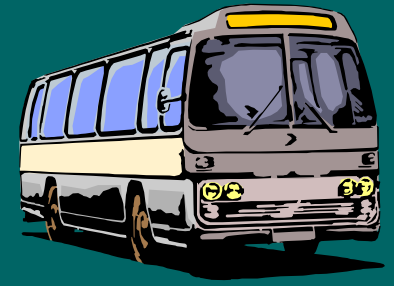
Stadium restaurant tax: 0.5 %

* Dedicated to transportation



Transit Funding

The primary funding source for transit is sales tax. Transit districts have the authority to impose a local sales tax to support their operations.



Sales Tax Revenue - In 2002, sales tax generated roughly \$300 million for King County and \$100 million for Sound Transit (within King County).



Transit Funding

Transit Taxes in the Region

- **King County/Metro Transit** collects an 0.8 cents sales tax
- **Community Transit** (Snohomish County) collects a 0.9 cents sales tax
- **Pierce Transit** (Pierce County) collects a 0.6 cents sales tax
- **Sound Transit** collects 0.4 cents sales tax and 0.3% MVET
- **The Seattle Monorail** collects 1.4% MVET



Transit Funding

Federal funds also play a key role. On average, Metro receives \$50 million/year in federal dollar.

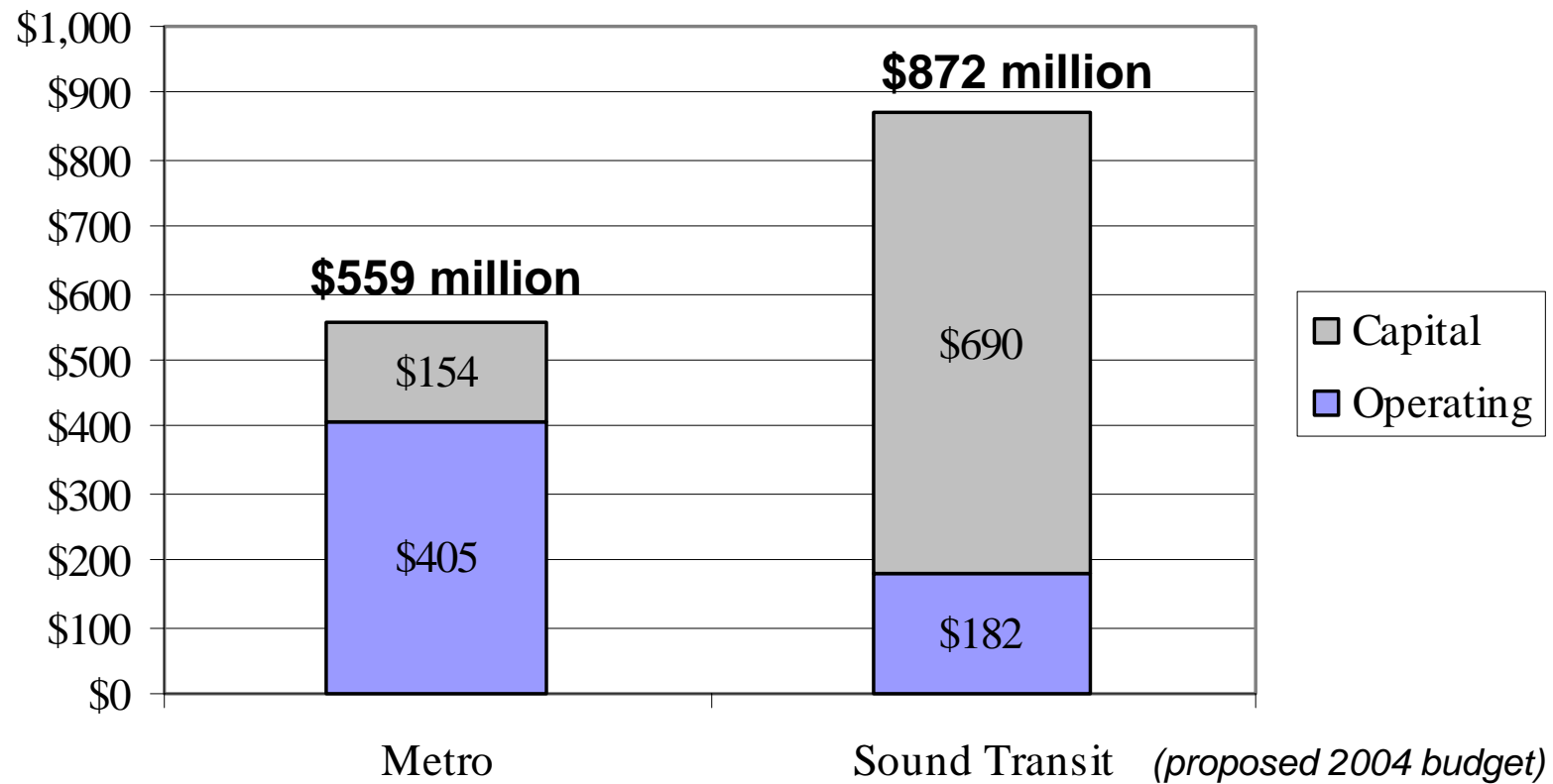
For the year 2004, the Sound Transit budget includes \$94 million in Federal funds. *

Transit systems also receive funds from federal funds, farebox proceeds, and other local funds

* source: Sound Transit Proposed 2004 Budget

Transit Spending

2004 Annual Budgets King County Metro and Sound Transit





Grants

Grant funds are a significant piece of regional and local transportation funding.

Grant funds vary from year to year, and many are awarded through a competitive process.



Grants

Federal Grant Programs:

- Congressional Earmarks and Nationally Competitive Programs
- Regionally Managed Federal Funds (via PSRC) – i.e. STP, CMAQ
- State Managed Federal Funds (TIB & H&LP)
– such as Statewide Competitive, Enhancements



Grants

State Grant Programs:

- **Transportation Improvement Board (TIB)** – i.e. Transportation Partnership Program, Arterial Improvement Program. About \$12 million was awarded within King County for FY 2005.
- **County Road Administration** – i.e. Rural Arterial Program, County Arterial Preservation Program



TEA 21 2004 Grants

Total to Puget Sound for 06-07 biennium - \$91 m

STP and CMAQ Total - \$78 m*

split between Regional & Countywide at 60/40:

Regional Program - \$47 million

Countywide Program - \$31 million

Additional FTA Funds - \$200 million will be available over the upcoming biennium for the Seattle/Everett/Tacoma Urbanized area.

*reflects deductions for Nonmotorized, administrative costs and Kitsap County

A grayscale image of various coins, including US quarters and pennies, arranged in a pattern that fills the top header area.

Changing Funding Environment

Transportation funding within King County has been significantly impacted by state initiatives in recent years.

A grayscale background image showing a close-up of several coins, likely US quarters, with their intricate designs and edges visible.

Changing Funding Environment

I-695 – Eliminated statewide MVET and replaced it with a \$30 vehicle license fee (1999)

I-747 – Limits property tax to 1% annual growth/year (2001)

I-776 – Limits auto license fee to \$30/year; repealed vehicle surcharges and vehicle value tax (2002)

I-864 – *Proposed initiative* that would reduce local government property taxes by 25%



I-695 Impacts

MVET collection ceased on January 1, 2000.

Forecasted Losses:

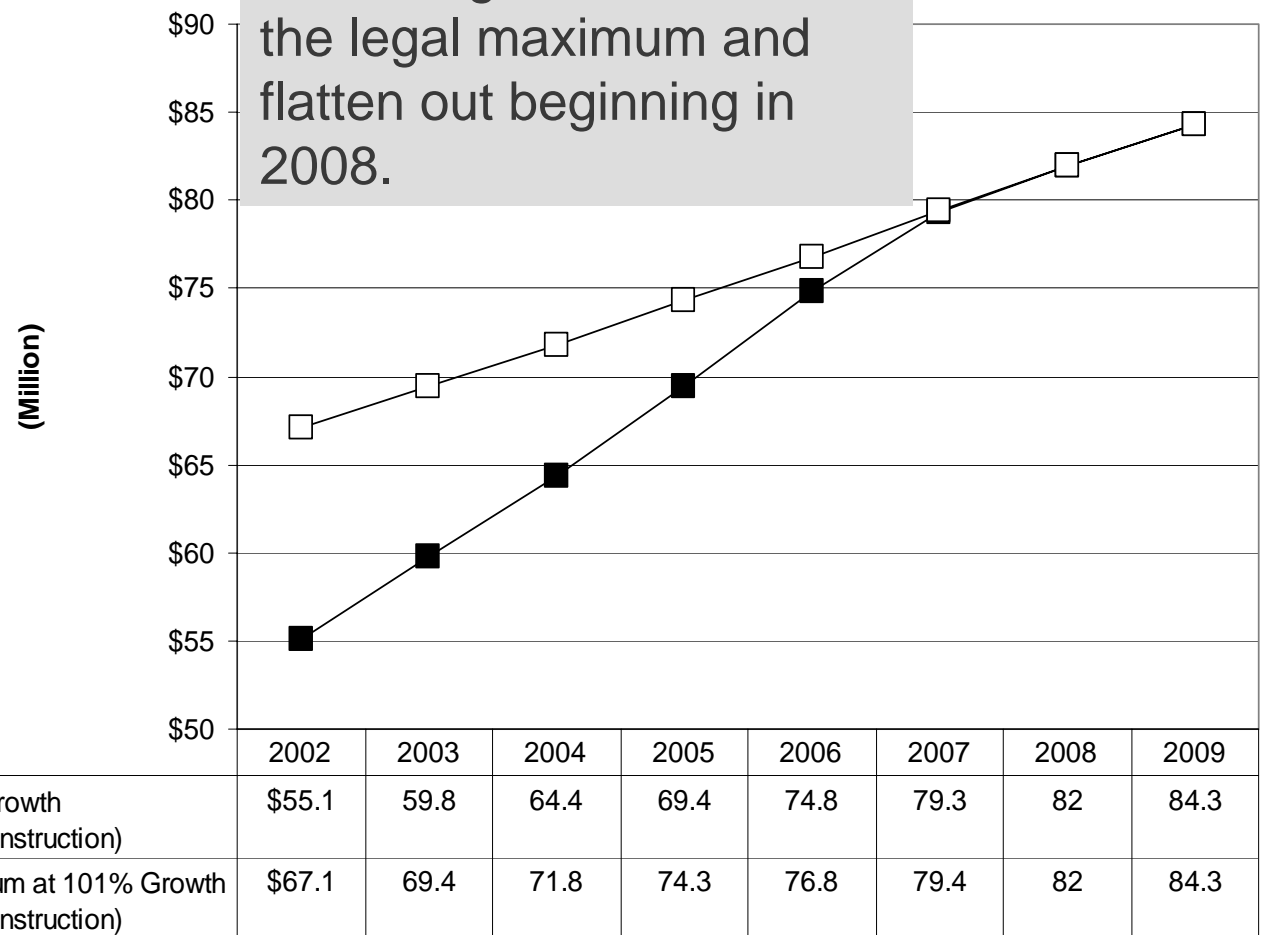
\$2.5 billion in State transportation revenue
between 2000 and 2005

\$826 million for all cities and unincorporated
King County, transit and public health
between 2000 and 2004.

I-747 Impacts

I-747 will mostly impact Counties, who depend on property tax to fund road levies.

King County's property tax revenue growth will reach the legal maximum and flatten out beginning in 2008.





I-776 Impacts

The cities within King County are expected to experience a loss of **\$200 m** in revenue between 2004 and 2012 due to the elimination of the \$15 Local Vehicle License Fee by I-776.

I-776 Impacts

2-year Losses to local transit, Sound Transit and counties:

Uses of Local Revenues	Current Law	I-776	Difference
Local Transit Systems	-	-	-
Sound Transit - High Capacity Transportation MVET ¹	120.2	-	(120.2)
Douglas County & Cities - \$15 License Fee	0.7	-	(0.7)
King County & Cities - \$15 License Fee	37.2	-	(37.2)
Pierce County & Cities - \$15 License Fee	13.5	-	(13.5)
Snohomish County & Cities - \$15 License Fee	13.6	-	(13.6)
Total Uses of Local Revenues	185.2	-	(185.2)

Estimated collections for 2003-2005 Biennium; dollars in million



Funding Considerations

Cities – rely mostly on non-dedicated sources of funding for transportation, which can vary significantly from one budget cycle to the next

Counties – have historically relied heavily on property-tax funded road levies, which have since been severely limited by I-747, and may be further limited by I-860.

Transit Agencies– have replaced or partially replaced lost MVET with sales tax, a less diversified and more volatile revenue source

A close-up, black and white photograph of several coins, likely US quarters, showing the profile of George Washington and the word 'LIBERTY'.

Funding Considerations

WSDOT – Following loss of MVET, WSDOT is more reliant on state and federal fuel taxes which lose value over time.

Puget Sound – Has traditionally received a return of 90% on revenues generated in the region but this amount may decline in the future if no new state revenues are identified.

A close-up, black and white photograph of several US coins, including quarters and dimes, overlapping each other. The coins are slightly out of focus, creating a textured, metallic background.

Future Funding

In the face of recent funding losses and the continued decline of existing infrastructure, the King County area and the region are striving to develop solutions to our transportation funding challenges.

RTID

A proposal under consideration is the development of a ***Regional Transportation Investment District (RTID)*** for King, Pierce and Snohomish counties.





RTID

Under the RTID authorizing bill, [ESSSB 6140](#), the County Council members of King, Pierce, and Snohomish Counties are working together to develop a Transportation Investment Plan for the region, to identify specific transportation improvement projects and propose a way to fund the projects through local taxes and fees.

A final package must be put before the voters of the three counties for approval.



RTID Challenges

Which projects are the highest priority?

The project list in King County has been a point of significant discussion – the RTID Executive Board, the Subarea Transportation Boards and the King County Executive have all recommended projects lists ranging in cost from \$6.5 to \$9 billion.



RTID Challenges

How do we pay for the improvements?

Revenue Sources Under Consideration:

- Sales Tax of 0.1% to 0.5%
- Vehicle License Fee of \$1 to \$100
- Local Option Gas Tax 0 to 2.8¢ per gallon
- Tolls on specific roads or bridges.



RTID

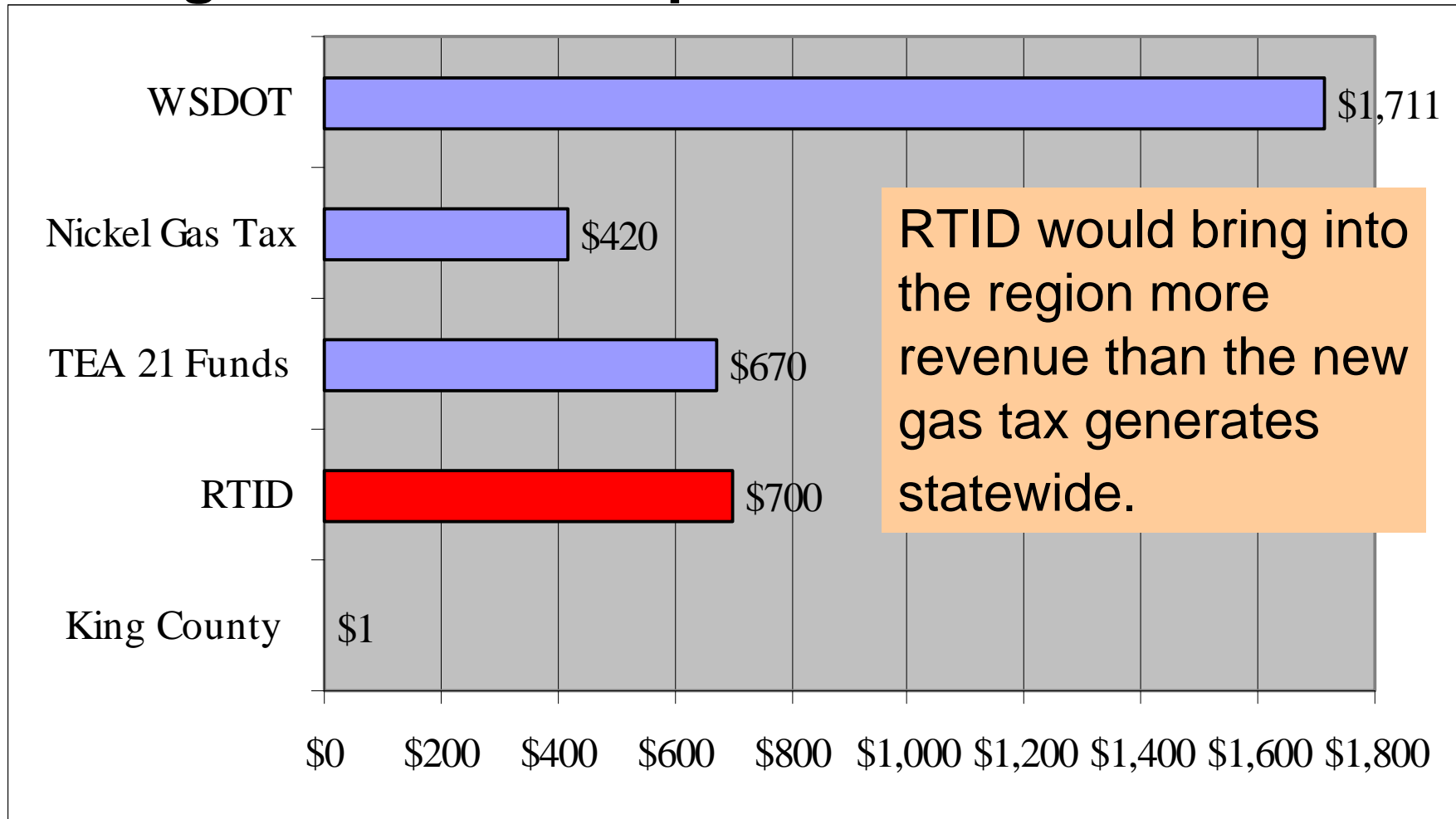
Projected Earning Power of Example Taxing Levels:

		3-County	King	Pierce	Snohomish
0.5 % Sales Tax		9.4	5.7	1.9	1.7
\$75 Vehicle Licence Fee		3.7	2	0.9	0.8
2.8c Local Option Gas Tax		1.1	0.5	0.3	0.3

-15 year totals in billions; source: http://www.rtid.dst.wa.us/3_RTID_funding.htm

What RTID Could Do

Average Annual Transportation Revenues



dollars in millions; assumes a \$7 B RTID package for King County; WSDOT amount reflects capital & operating